

FRANKFORT, KY

- HOTEL
- YMCA - 30,000 SF
- PARKING GARAGE
- RESIDENTIAL - 216 UNITS
- RETAIL - 33,000 SF + 32,000 SF
- OFFICE - 15,000 SF
- FUTURE DEVELOPMENT

Downtown Frankfort Redevelopment Project

Project Vision & General Overview of
Tax Increment Financing (TIF)



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Project Team



Marty Johnson
Jeff Quammen



Craig Turner
Garyen Denning
Megan Walsen



Casey Bolton
Tom Howard



Rick Ekhoﬀ, AIA, LEED AP
Kevin Gough, AIA
Josh Dudley, AIA

D.W. Wilburn, Inc.

CARMAN | LANDSCAPE ARCHITECTURE
URBAN PLANNING
CIVIL ENGINEERING

Doug Wilburn
John Carman, FASLA, RLA

The 300 Building | Frankfort



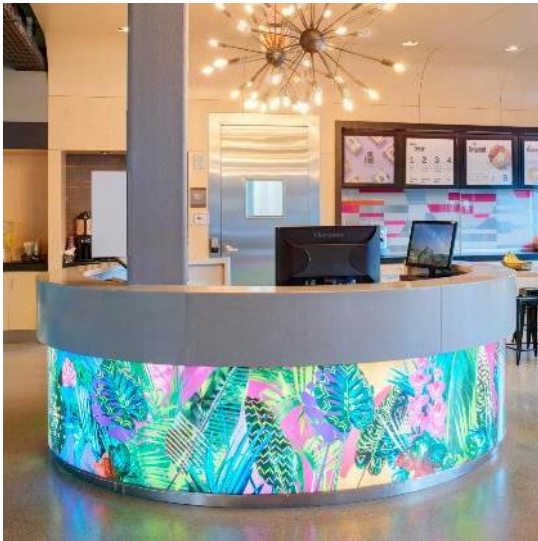
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Project Vision



Downtown Frankfort Project Description



Downtown Frankfort Redevelopment Project Estimates		
	<i>Component Cost</i>	<i>Unit Measure</i>
<u>Public Infrastructure</u>		
Parking garage (parcel B)	\$6,000,000	300 Spaces
Site prep/ public space	\$3,125,000	
Washington Street	\$937,500	
Demolition	\$500,000	
<i>Sub-total</i>	\$10,562,500	
<u>Private Components</u>		
Hotel (162 rooms)	\$14,000,000	181,300 Sq Ft*
YMCA	\$11,250,000	30,000 Sq Ft
Retail	\$5,578,125	32,500 Sq Ft
Restaurant	\$5,578,125	32,500 Sq Ft
Office	\$2,343,750	15,000 Sq Ft
Residential (216 units)	\$37,600,000	188,000 Sq Ft
<i>Sub-total</i>	\$76,350,000	479,300 Sq Ft
<i>Grand-total</i>	\$86,912,500	479,300 Sq Ft

*Includes 20,000 square feet of meeting space



Tax Increment Financing (TIF) General Overview and Project Estimates

TIF History

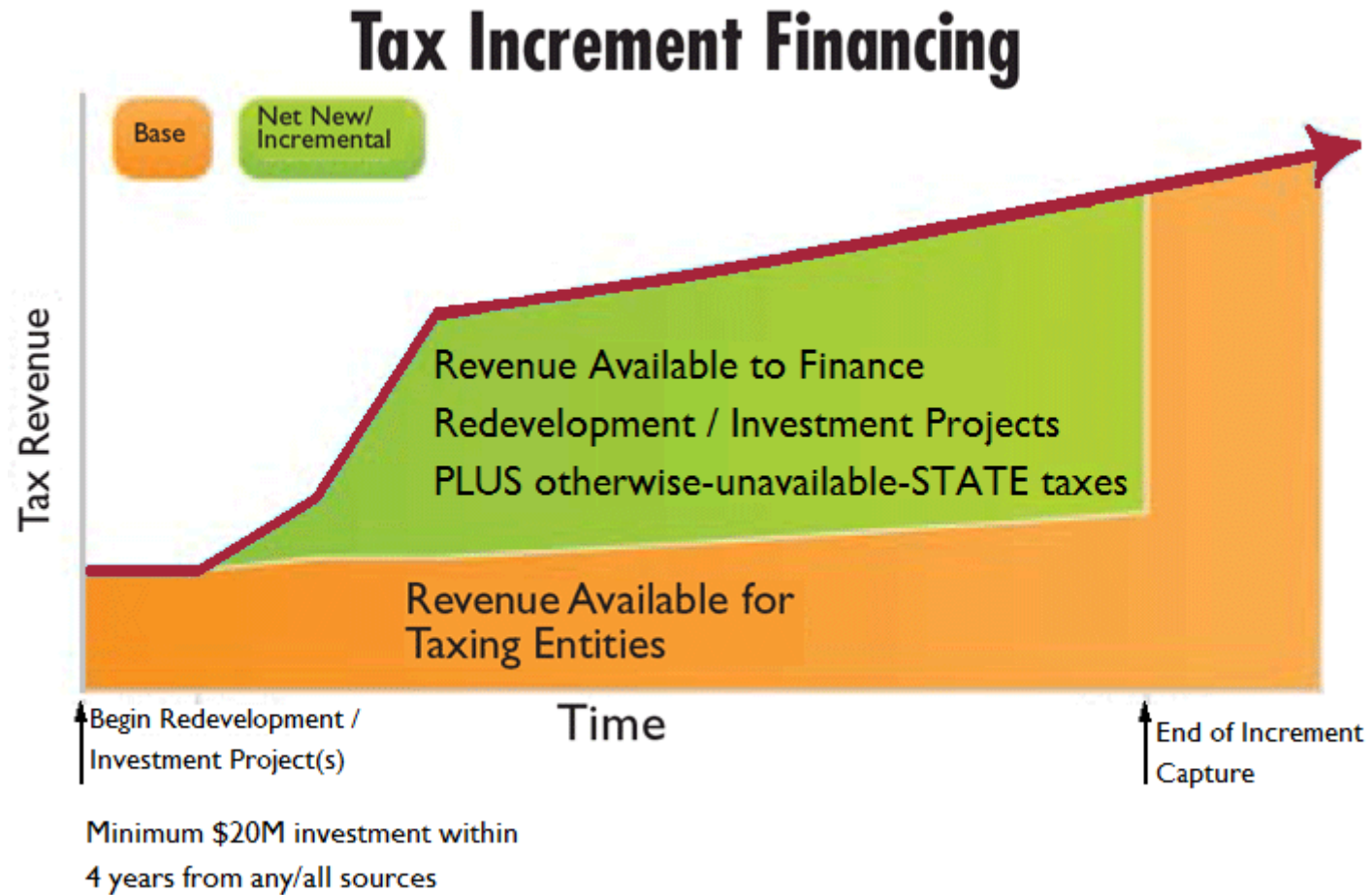
2007 Legislation (“The Act”):

- Replaced the original TIF Legislation from 2000
- Provides a method for accessing State tax revenues for eligible projects throughout the Commonwealth
- Requires local government participation in the project
- Codified in KRS 65.7041 to 65.7083; KRS 154.30-010 to 154.30-090 and KRS 139.515 (State participation programs)

Concept

- A city or county may create a TIF district (“local development area” or “development area”) and use the increase in future taxes (“incremental revenues”) generated within the TIF district to support development within the area.
- Incremental revenues are the net tax revenues pledged to the area or project, determined by subtracting the “old revenues” (annual amount of taxes generated within the area prior to the creation of the TIF district) from the “new revenues” (annual amount of taxes generated within the area after activation of the TIF).
- When a TIF district is established, the “old revenues” or “baseline” is determined by calculating the tax revenues from within the area as of December 31st the year of state TIF preliminary approval.

Incremental Tax Revenues



Impact on Taxes and Property

- TIF does not change the way property or businesses are taxed, or how taxes are collected.
- TIF does not create any tax exemptions.
- TIF does not create any restrictions on property within the TIF district.
- TIF is simply a way to capture the incremental increase in future tax collections created by new development, and to use a portion of those taxes to promote development within the TIF district.

Use of TIF Revenues

- Incremental revenues may be used to promote one or more projects within a development area.
- Pledged incremental revenues may be used to pay for eligible costs, including reimbursing eligible costs advanced by a developer, as incremental revenues are generated.
- For projects eligible for a pledge of State participation, the use of State incremental revenues is primarily limited to paying for public infrastructure costs.

Local Taxes Eligible to be Pledged

- Up to 100% of a city's and/or county's incremental real estate taxes and/or occupational license fees.
- Up to 100% of incremental real estate taxes from special districts (excluding school districts and fire districts).
- Local incremental revenues are generally pledged for 20 years, which matches the State term.

TIF Ordinance and Agreement

- A city or county must establish a TIF district by ordinance:
 - Establishes boundaries; approves the development plan; approves the participation agreement; designates the agency to administer and implement the TIF ordinance; makes certain required findings.
- As part of the establishment of the TIF district, the participating local taxing districts agree to a pledge of incremental revenues and execute a local participation agreement.
- No taxing district may act to affect another taxing district's tax revenues as each taxing district must affirmatively vote to participate.
- In the participation agreement, the amount of the pledge of incremental revenues may differ among the participating taxing districts.

Development Area Conditions

- Except for certain mixed-use projects, the area must meet two of the following conditions (must meet 3 for State mixed-use TIF program):
 - Substantial loss of residential, commercial or industrial activity or use
 - 40% or more of households are low income
 - 50% or more of structures are deteriorated or deteriorating
 - Substantial abandonment of residential, commercial, or industrial structures
 - Substantial presence of environmentally contaminated land
 - Inadequate public improvements or substantial deterioration of public infrastructure
 - Any combination of factors that substantially impairs or arrests the economic development of the city or county:
...due to the development area's present condition and use

State Participation Programs

- After the establishment of a TIF Development Area, specific projects may qualify for a pledge of State incremental revenues under one of the three state participation programs as follows:
 - Commonwealth Participation Program for Real Property Ad Valorem Tax Revenues (Real Property Tax Program)
 - Commonwealth Participation program for Mixed-Use Redevelopment in Blighted Urban Area (Mixed-Use Program)
 - Signature Project Program

Real Property Ad Valorem Tax Program

- A project must have at least \$10m in capital investment.
- Must represent new economic activity for the State.
- No more than 20% of the project is dedicated to retail.
- 100% of State incremental taxes from property taxes may be pledged for a 20-year period.
- State incremental revenues may be used to pay for approved public infrastructure costs that are necessary to support private development.

Mixed-Use Program

- Area must meet 3 of 7 requirements of blight
- Project must have a capital investment between \$20M - \$200M
- Must represent new economic activity for the State
- Net State tax impact must be determined by independent consultant
- Must be a mixed-use project (2 or more uses)
- No one retail establishment may exceed 20k square feet
- Must include pedestrian amenities and public spaces
- 80% of full gamut of State incremental revenues (sales, income, corporate, property) may be pledged for up to a 20-year period to pay for:
 - Up to 100% of approved public infrastructure costs
 - Up to 100% of expenses for land preparation, demolition, and clearance necessary for the development to occur

Downtown Frankfort Project – Estimated Tax Impacts

Downtown Frankfort Redevelopment Project Estimated Direct Tax Revenues Generated from Project			
	Tax Rate	10-Year Total	20-Year Total
Estimated Direct Tax Revenues from Project			
State Tax Revenues			
Property Tax	0.1220%	\$808,600	\$1,794,278
Sales Tax	6.0%	\$15,712,880	\$34,866,794
Individual Income Tax	4.6%	\$5,001,794	\$11,098,954
Transient Room Tax	1.0%	\$740,197	\$1,624,802
Total State Tax Revenues		\$22,263,472	\$49,384,827
Local Tax Revenues			
Franklin County Property Tax	0.3698%	\$2,451,250	\$5,439,310
Frankfort Property Tax	0.1950%	\$1,292,434	\$2,867,904
Frankfort Independent School Property Tax	0.7150%	\$4,738,924	\$10,515,647
Frankfort Occupational Tax	1.95%	\$2,120,326	\$4,704,991
Frankfort Transient Room Tax	4.0%	\$2,960,789	\$6,499,206
Total Local Tax Revenues		\$13,563,723	\$30,027,058
Direct Tax Revenues Generated from Project		\$35,827,195	\$79,411,885
State Tax Revenues		\$22,263,472	\$49,384,827
Franklin County Tax Revenues		\$2,451,250	\$5,439,310
Frankfort Tax Revenues		\$11,112,473	\$24,587,748

Downtown Frankfort Project – Incremental Tax Estimates

Downtown Frankfort Redevelopment Project TIF-Eligible Incremental Tax Revenues Generated from Project									
	20-Year Total	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 20	20-Year Total
Estimated Future Tax Revenues									
State Tax Revenues									
Property Tax	\$1,794,278	\$73,847	\$75,324	\$76,830	\$78,367	\$79,934	\$88,254	\$107,581	\$1,794,278
Sales Tax	\$34,866,794	\$1,435,003	\$1,463,703	\$1,492,977	\$1,522,836	\$1,553,293	\$1,714,961	\$2,090,528	\$34,866,794
Individual Income Tax	\$11,098,954	\$456,797	\$465,932	\$475,251	\$484,756	\$494,451	\$545,914	\$665,466	\$11,098,954
Total Future State Tax Revenues	\$47,760,025	\$1,965,646	\$2,004,959	\$2,045,058	\$2,085,959	\$2,127,678	\$2,349,129	\$2,863,575	\$47,760,025
Local Tax Revenues									
Franklin County Property Tax	\$5,439,310	\$223,864	\$228,341	\$232,908	\$237,566	\$242,318	\$267,538	\$326,128	\$5,439,310
Frankfort Property Tax	\$2,867,904	\$118,034	\$120,394	\$122,802	\$125,258	\$127,763	\$141,061	\$171,953	\$2,867,904
Frankfort Occupational Tax	\$4,704,991	\$193,642	\$197,515	\$201,465	\$205,494	\$209,604	\$231,420	\$282,100	\$4,704,991
Total Future Local Tax Revenues	\$13,012,205	\$535,540	\$546,250	\$557,175	\$568,319	\$579,685	\$640,019	\$780,180	\$13,012,205
Total Estimated Future Tax Revenues	\$60,772,230	\$2,501,186	\$2,551,209	\$2,602,233	\$2,654,278	\$2,707,364	\$2,989,148	\$3,643,755	\$60,772,230
Estimated "Baseline" Tax Revenues									
State Tax Revenues									
Property Tax	\$118,571	\$4,880	\$4,978	\$5,077	\$5,179	\$5,282	\$5,832	\$7,109	\$118,571
Sales Tax	\$5,603,789	\$230,634	\$235,246	\$239,951	\$244,750	\$249,645	\$275,628	\$335,990	\$5,603,789
Individual Income Tax	\$1,676,519	\$69,000	\$70,380	\$71,788	\$73,223	\$74,688	\$82,461	\$100,520	\$1,676,519
Total State Tax "Baseline"	\$7,398,878	\$304,514	\$310,604	\$316,816	\$323,152	\$329,615	\$363,922	\$443,619	\$7,398,878
Local Tax Revenues									
Franklin County Property Tax	\$359,446	\$14,794	\$15,089	\$15,391	\$15,699	\$16,013	\$17,680	\$21,551	\$359,446
Frankfort Property Tax	\$189,519	\$7,800	\$7,956	\$8,115	\$8,277	\$8,443	\$9,322	\$11,363	\$189,519
Frankfort Occupational Tax	\$710,698	\$29,250	\$29,835	\$30,432	\$31,040	\$31,661	\$34,956	\$42,612	\$710,698
Total Local Tax "Baseline"	\$1,259,663	\$51,844	\$52,880	\$53,938	\$55,017	\$56,117	\$61,958	\$75,526	\$1,259,663
Total Estimated "Baseline" Tax Revenues	\$8,658,541	\$356,357	\$363,484	\$370,754	\$378,169	\$385,732	\$425,880	\$519,145	\$8,658,541
TIF-Eligible Incremental Tax Revenue Generated from Project	\$44,041,459	\$1,812,602	\$1,848,854	\$1,885,831	\$1,923,548	\$1,962,019	\$2,166,227	\$2,640,619	\$44,041,459
State TIF-Eligible Incremental Tax Revenue at 80%	\$32,288,918	\$1,328,906	\$1,355,484	\$1,382,594	\$1,410,246	\$1,438,450	\$1,588,166	\$1,935,965	\$32,288,918
Franklin County TIF-Eligible Incremental Tax Revenue at 100%	\$5,079,865	\$209,071	\$213,252	\$217,517	\$221,867	\$226,305	\$249,859	\$304,576	\$5,079,865
Frankfort TIF-Eligible Incremental Tax Revenue at 100%	\$6,672,677	\$274,625	\$280,118	\$285,720	\$291,435	\$297,263	\$328,203	\$400,077	\$6,672,677

Questions?

Contact Info

Commonwealth Economics

100 W. Main St.

Suite 620

Lexington, KY 40507

Phone: (859) 246-3060

www.CommonwealthEcon.com

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